

IMPACTS OF ACA REPEAL ON NEW HAMPSHIRE

The Potential Impact of an ACA Repeal and Replace
with Block Granting or Per Capita Caps

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I. Affordable Care Act Overview

The Affordable Care Act (“ACA”), also known as “Obamacare,” is a comprehensive health care reform act signed into law on March 23, 2010. The law consists of ten titles, each dedicated to a different aspect of our health care system. The first two sections, Title I and Title II include some of the Act’s most critical provisions. Title I “Quality Affordable Health Care for All Americans,” contains provisions that: prohibit health insurance companies from refusing coverage due to pre-existing conditions; mandate individual health insurance coverage; provide for financial assistance to those who have difficulty affording health insurance coverage; set forth the ten essential health benefits; and, establish the state-based insurance exchanges. Title II, “Role of Public Programs,” makes changes to public insurance programs such as Medicaid and the Indian Health Services. Changes in this section also allow states to expand Medicaid coverage to non-Medicare eligible individuals (below age 65), who are also below 138% of the federal poverty level. States that elect to expand their Medicaid eligibility under this section will receive an enhanced federal match for services, beginning at 100% and gradually dropping to 90% in 2020, where it will remain indefinitely.¹

Like other states, New Hampshire has a health insurance marketplace (“Marketplace”) under the ACA. New Hampshire operates a “partnership” exchange with the federal government, using the healthcare.gov platform.² New Hampshire has also expanded Medicaid pursuant to the ACA; however, the obligatory state share is funded entirely through a voluntary contribution made by New Hampshire’s hospitals and health insurance carriers.³ Under this model, New Hampshire’s Medicaid expansion program (New Hampshire Health Protection Program) is funded without state general funds. Another unique aspect of New Hampshire’s Medicaid Expansion program is its premium assistance component. Most of New Hampshire residents who receive coverage through this program are enrolled in insurance plans through the Marketplace, the premiums for which are paid for with Medicaid funds.⁴

As of October 2016, there were a total of 89,690 Granite Staters who were enrolled in qualified health plans (“QHP”) through New Hampshire’s Marketplace. This included 41,714 Medicaid Expansion beneficiaries in the Premium Assistance Program (PAP). A majority of the individuals enrolled in non-PAP QHPs through the Marketplace in 2016

¹ 42 U.S.C. 300gg et. seq.

² Norris, Louise New Hampshire health insurance marketplace, December 20, 2016. https://www.healthinsurance.org/new_hampshire-state-health-insurance-exchange/

³ N.H. RSA 126-A:5-c

⁴ Norris, Louise New Hampshire health insurance marketplace, December 20, 2016. https://www.healthinsurance.org/new_hampshire-state-health-insurance-exchange/

received premium subsidies provided through the ACA, making their coverage more affordable. Since the implementation of the ACA, the rate of uninsured Granite Staters decreased from 11 percent in 2013 to 6 percent in 2015. This decrease is almost entirely attributable to the ACA.⁵

II. Congress' Plan for Partial Repeal of ACA through Reconciliation and the Potential Impact

Currently, Congress is considering and working on a partial repeal of the ACA through the budget reconciliation process. Within the budget reconciliation process, portions of the ACA impacting the federal budget can be repealed or defunded. This includes Medicaid expansion, the premium tax credits, cost-sharing reductions and the individual mandates for coverage.

It is estimated that a partial repeal of the ACA through the reconciliation process would have a dramatic impact leaving 19.7 million Americans without insurance coverage in 2018. Additionally, there are estimates that the number of uninsured individuals in fair or poor health would increase from 2.1 million to 5.8 million, and that an implementation of Medicaid block grants or allowing the sale of insurance across state lines would further increase the number of uninsured individuals in fair or poor health. Also, it is estimated that out-of-pocket costs for individuals who purchased plans on the individual market would increase from about \$3,200 per year to \$4,700 per year, and allowing the sale of insurance across state lines would further increase out-of-pocket spending to about \$5,700 per year in the event of a partial repeal of the ACA.⁶

III. The Impact of a Partial Repeal of the ACA on New Hampshire

Because New Hampshire was one of the states that expanded its Medicaid program under the ACA, it stands to be one of the hardest hit due to an ACA repeal. It is estimated that if the ACA is partially repealed through the reconciliation process, the number of uninsured Granite Staters will rise from 62,000 currently to 180,000 in 2019, a 190 percent increase. This means that 118,000 Granite Staters will be without any health care coverage. Additionally, since Medicaid expansion is among the parts of the ACA to be repealed, New Hampshire and its residents stand to lose \$5 billion in federal funding among Medicaid, the Children's Health Insurance Program ("CHIP"), and the premium tax credits and cost-sharing reductions between 2019 and 2028. In 2019, the State stands to lose \$329 million in federal funds for Medicaid and CHIP spending, which would necessitate a contribution of \$35 million of State funds to the Medicaid and CHIP programs. The loss to

⁵ Ibid.

⁶ Stalzman, Evan and Eibner, Christine Donald Trump's Health Care Reform Proposals: Anticipated Effects on Insurance Coverage, Out-of-Pocket Costs, and the Federal Deficit, The Commonwealth Fund September 2016

New Hampshire residents for premium tax credits and cost-sharing reductions in 2019 will be \$85 million.⁷

Not only will individual citizens be affected by a partial ACA repeal, but New Hampshire's health care providers and hospitals stand to be impacted as well due to an increase of uninsured Granite Staters. It is estimated that uncompensated care will rise from its current rate of \$131 million to \$524 million in 2019 due to a partial repeal of the ACA, and that between 2019 and 2028 uncompensated care will increase by \$4.8 billion. Under current formulas, federal funding for uncompensated care will increase very little under a reconciliation bill repealing portions of the ACA.⁸ This financial burden would fall to New Hampshire's providers and be nearly impossible to bear.

IV. Impact of Block Grants or Per Capita Caps as a Replacement for the ACA Repeal

Currently, Medicaid is funded with an open-ended matching structure where states receive matching federal funds based on their actual expenses. The federal matching rates vary depending on a state's per capita income, ranging from 75 percent to 50 percent (New Hampshire's matching rate is 50 percent). However, the actual amount of federal money a state receives also depends on the breadth of the population and services it elects to cover under its Medicaid program. The more people who are eligible and the more services that are covered will lead to an increase in federal funds for the state. Block grants would allocate federal funds based on some measure of a state's current expenditure. With block grants, States would be given more flexibility about who and what services are covered under its Medicaid program. However, block grants would not increase to compensate for increased enrollment, the need to address a public health emergency (e.g. Hurricane Katrina, 911, or the opioid crisis), or to cover a costly treatment (e.g. hepatitis C).⁹

Per capita caps allocate federal funds on a per enrollee basis; the starting point being each state's current federal expenditure per enrollee. This allocation could be per enrollee overall or separated by particular groups (e.g. elderly, disabled, children). Although per capita caps would protect against an increase in enrollment, if the predetermined cap is not sufficient to provide services at the state's current levels, the state would either need to allocate state funds to the program, limit enrollment, cut benefits, or lower provider payments.¹⁰

It is likely that per capita caps would cut federal Medicaid funding by 50 percent per beneficiary over the next 10 years, and block grants could cut federal funding by nearly 33 percent. It is estimated that the use of block grant or per capita caps would reduce federal

⁷ Blumberg, Linda, et. al., Implications of Partial Repeal of the ACA through Reconciliation, December 2016

⁸ Buettgens, Matthew, The impact on Health Care Providers of Partial ACA Repeal through Reconciliation, January 2017

⁹ Holahan, John and Buettgens, Matthew, Block Grants and Per Capita Caps, The Problem of Funding Disparities among States, September 2016

¹⁰ Ibid.

Medicaid funding to the States by up to \$1 trillion over 10 years. Due to this reduction, the States will be forced to make difficult decisions between making cuts to Medicaid or other budget areas such as education. Because funding will be locked in at current levels, it will be more difficult for states to make changes to their Medicaid programs in the future. In addition to the federal cuts, the States will have an additional financial burden due to the increase in uncompensated care. This will lead to the States having to make decisions about eliminating eligibility categories, decreasing income eligibility levels, establishing wait lists and enrollment caps, reducing benefits, implementing cost sharing, decreasing payments to providers, and/or making access to certain medical treatments difficult (i.e. Hepatitis C treatments) within their Medicaid programs.¹¹

In the event of an ACA repeal, it is likely that a replacement with block grants or per capita caps would *not* include the current spending on the Medicaid expansion population. Therefore, New Hampshire's allocation would be based on its traditional Medicaid spending and would *not* include spending on the New Hampshire Health Protection Program. This would equate to a very large reduction in current federal funds that New Hampshire is receiving for its Medicaid program. New Hampshire ranks 49th lowest in spending per low-income resident, making it nearly the lowest spending state, and in 2014 ranked 42nd in lowest provider reimbursement rates according to the Medicaid Physician Fee Index released by the Kaiser Family Foundation. **Since block grants and per capita caps are based on current federal spending, New Hampshire would receive one of the smallest block grants or per capita caps of all the states.** Additionally, New Hampshire would never be able to raise reimbursement rates without cutting benefits or increasing state funding. The estimate for federal block grant spending per low-income person for New Hampshire in 2017 is \$1,599, again the second lowest in the country, followed only by Nevada.¹²

One of the most important things to consider is how block grants and per capita caps will affect Medicaid funding in the face of New Hampshire's opiate crisis. The substance use disorder benefit was not included in traditional Medicaid in New Hampshire until July 2016, merely six months ago. Although many New Hampshire Medicaid recipients have taken advantage of this newly added benefit, it is likely that the full impact of the benefit has not been realized. Therefore, if federal funding is based on the State's current Medicaid spending (2015 or 2016), it will not include a full realization of the substance use disorder benefit. This will result in the State having to either pick up the tab or eliminate this benefit which is so desperately needed during the opiate crisis.

Those who favor and support block grants usually contend that the States would have more flexibility under this funding approach. That notwithstanding, the Medicaid program already provides the States with a great deal of flexibility, so long as the States

¹¹ Community Catalyst, Block Grants and Per Capita Caps would Dismantle Medicaid as We Know It, December 2016

¹² Holahan, John and Buettgens, Matthew, *supra*.

maintain the minimum standards outlined by the federal government such as eligibility, benefits, beneficiary protections and provider payments. The States also have flexibility on how health care is delivered (i.e. managed care organizations, accountable care organizations, health homes). Additionally, the States can receive demonstration waivers under section 1115 of the Social Security Act which allows States to experiment and try new ways of delivering care. Medicaid also provides flexibility to the States providing the ability to respond to public health issues such as the opiate crisis currently facing New Hampshire. Although this flexibility would remain with block grants and per capita caps, the fiscal burden would be shifted to the States, because the amount of federal funds will be greatly decreased as discussed above. Federal block grants and per capita caps would provide some additional flexibility, but much of that flexibility is in the vein of cutting benefits and eligibility to account for the funding shortfalls that occur with this type of funding.¹³ The increased flexibility and decreased federal funding brought about by block grants and per capita caps would only serve to harm New Hampshire's most vulnerable citizens.

V. Conclusion

New Hampshire will be one of the states impacted the hardest by a repeal of the ACA, because it was one that expanded its Medicaid program under the law. The State stands to lose billions in federal funds over the next 10 years, and it is projected that the uninsured rate in New Hampshire will increase by 190 percent by 2019. An ACA repeal will also have a dramatic financial impact on New Hampshire's health providers, including hospitals, as it is anticipated that the uncompensated care cost will increase four-fold while insurers and household health care spending decreases. Block grants or per capita caps will only serve to worsen the situation. At this time it appears the intent of the federal government is to reduce its current Medicaid spending, and will not be including any federal funds distributed to the States for Medicaid expansion in its measure of a state's current Medicaid expenditure. Also, because New Hampshire only recently added a substance abuse benefit to Medicaid, the cost of this added benefit will likely not be included in any block grant or per capita grant since those grants will be based on New Hampshire's current (2015 or 2016) spending. Although block grants and per capita caps would provide some additional flexibility, due to the drastic reduction in federal funding, it is likely that New Hampshire would need to reduce benefits, eligibility, and provider payments and eliminate beneficiary protections to offset the funding gap.

¹³ Soloman, Judith, Caps on Federal Medicaid Funding Would give States Flexibility to Cut, Stymie Innovation, Center on Budget and Policy Priorities, January 18, 2017.